

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 USIE-00 NSCE-00 SOE-02 AID-05
CEA-01 CIAE-00 COME-00 DODE-00 EB-08 DOE-11 H-02
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SP-02 SS-15 STR-07 TRSE-00 ACDA-12 DOEE-00 INRE-00
SSO-00 PA-02 /111 W
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FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC IMMEDIATE 6387
INFO AMCONSUL CALGARY
AMCONSUL HALIFAX
AMCONSUL MONTREAL
AMCONSUL QUEBEC
AMCONSUL TORONTO
AMCONSUL VANCOUVER
AMCONSUL WINNIPEG

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DEPARTMENT FOR JOHN ROUSE - EUR/CAN

DEPARTMENT PASS DOE/FERC FOR COMMISSIONER SMITH AND JOHN
ADGER, AND DOE FOR LES GOLDMAN AND ASSISTANT SECRETARY
BERGOLD

E.O. 11652: N/A
TAGS: ENRG, PGOV, SENV, CA
SUBJECT: ALASKA HIGHWAY GAS PIPELINE: MEDIA REACTION TO
NATIONAL ENERGY BOARD (NEB) PIPE-SIZE RECOMMENDATION

1. SUMMARY. NEWSPAPER REACTION AND COMMENT ON NEB PIPE-
SIZE RECOMMENDATION WAS DOMINATED BY OTTAWA ENERGY REPORTER
JEFF CARRUTHERS. IN FEATURE ARTICLES APPEARING IN FEBRUARY
21 GLOBE AND MAIL, CARRUTHERS COVERED USG COMMENT ("DIS-
APPOINTMENT"), NEW DEMOCRATIC PARTY (NDP) REACTION ("ANGER"),
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AND DISCUSSED POSSIBLE NEXT STEPS TOWARD PIPE-SIZE DECISION.
OTHER NEWSPAPER REPORTING EMPHASIZED ELATION OF CANADIAN
PIPE PRODUCERS OVER NEB RECOMMENDATION. CONSIDERABLE PLAY
WAS GIVEN BY CANADIAN PRESS TO WASHINGTON DATELINE REPORTS
QUOTING FERC AND STATE DEPARTMENT SPOKESMEN. ONE REPORT
SAID STUDY BY USG ANALYSTS "PREDICTS THAT WIDE-DIAMETER PIPE
CHOSEN BY CANADA ... WOULD COST U.S. CONSUMERS AN EXTRA DOLS

ONE BILLION OVER 30 YEARS." ELECTRONIC MEDIA COVERAGE WAS EXTENSIVE, FACTUAL AND BALANCED. END SUMMARY.

2. NEWSPAPER COVERAGE OF NEB PIPE-SIZE RECOMMENDATION WAS DOMINATED BY OTTAWA ENERGY REPORTER JEFF CARRUTHERS. IN TWO FEBRUARY 21 GLOBE AND MAIL ARTICLES, ONE ON FRONT PAGE AND OTHER ON FIRST PAGE OF BUSINESS SECTION, CARRUTHERS REPORTED REACTION BY USG, NDP LEADERSHIP, AND DISCUSSED POSSIBLE NEXT STEPS TOWARD DECISION ON PIPE SIZE.

3. FRONT PAGE G&M REPORT FOCUSED ON "U.S. DISAPPOINTMENT" WITH THE NEB RECOMMENDATION OF 56-INCH/1080 PSI SYSTEM AND NDP'S ANGER ABOUT RECOMMENDATION. CARRUTHERS CITES EMBASSY SOURCES REGARDING USG REACTION AND EARLIER REPORTING THAT EXPLAINED U.S. PREFERENCE FOR A 48-INCH, HIGH-PRESSURE SYSTEM FOR REASONS OF FUEL EFFICIENCY. REPORT NOTED THAT NDP LEADER ED BROADBENT IS UPSET BECAUSE "NEB'S RECOMMENDATION IS STILL NO GUARANTEE THAT CANADIAN MILLS WILL GET THE PIPE CONTRACTS." BROADBENT SAID THAT "WHILE THE PIPE DECISION WOULD EFFECTIVELY ELIMINATE U.S. COMPETITION, THE DOMESTIC STEEL INDUSTRY HAS TOLD HIM THAT IT IS MUCH MORE CONCERNED ABOUT COMPETITION FROM THE JAPANESE, ITALIANS AND WEST GERMANS." REMAINDER OF FRONT PAGE REPORT COVERED INTERVIEWS WITH ALLAN MACEACHEN AND NEB CHAIRMAN JACK STABBACK, AND REMARKS IN HOUSE OF COMMONS FEB. 20 BY EMR MINISTER ALASTAIR GILLESPIE (REPORTED UNCLASSIFIED

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REFTELS). MACEACHEN REPORTEDLY STRESSED IMPORTANCE OF SAFETY AND RELIABILITY CONSIDERATIONS UNDERLYING THE NEB RECOMMENDATIONS AND ENHANCED CANADIAN CONTENT IN MATERIALS PROCUREMENT FOR PIPELINE WHICH WOULD RESULT FROM SELECTING 56-INCH DIAMETER PIPE. CITING STABBACK, CARRUTHERS SOMEWHAT SKEPTICALLY SAYS: "NEB BELIEVES MACKENZIE DELTA GAS AND CONNECTING DEMPSTER LATERAL WILL BE NEEDED BEFORE 1990, THERE SHOULD BE ENOUGH LEAD TIME -- PERHAPS 12 TO 18 MONTHS -- TO ALLOW CANADIAN FIRMS TO TOOL UP TO SUPPLY LARGE DIAMETER (54-INCH OR 56-INCH) VALVES AND FITTINGS AND THAT AMENDMENT OF JOINT PIPELINE AGREEMENT IS A "TECHNICAL CHANGE" WHICH COULD BE ACCOMPLISHED BY AN EXCHANGE OF DIPLOMATIC NOTES.

3. IN SECOND ARTICLE ON FRONT PAGE OF BUSINESS SECTION, CARRUTHERS DISCUSSES POSSIBLE NEXT STEPS IN PIPE SIZE DECISION. NOTING DECISION IS NOT YET FINAL HE SAYS GOC MIGHT, THOUGH IS NOT LIKELY TO, OPT FOR 54 OR 48-INCH THIN-WALLED PIPE FOR WHITEHORSE-CAROLINE SEGMENT. ONLY CERTAINTY IS THAT 48-INCH HIGH-PRESSURE SYSTEM IS RULED OUT. ARTICLE ALSO NOTES THAT DECISION FOR 56-INCH PIPE WOULD REQUIRE AMENDMENT OF JOINT PIPELINE AGREEMENT AND BILL C-25

TO PERMIT APPROVAL OF THIS LARGER-DIAMETER PIPE. HE ALSO
NOTES PROBLEMS OF NEGOTIATING CAPITAL COST ESTIMATES FOR
56-INCH PIPE TO BE INCLUDED IN ANNEX III OF AGREEMENT AND
DANGER THAT U.S. CONGRESS MIGHT NOT ACCEPT SUCH AMENDMENTS
AS "TECHNICAL CHANGES." CARRUTHERS' ARTICLES ALSO
APPEARED IN OTHER PAPERS, INCLUDING OTTAWA JOURNAL.

4. TORONTO STAR RAN FRONT PAGE LEAD ITEM REPORTING DELIGHT
OF CANADIAN STEEL PIPE PRODUCERS, STEEL COMPANY OF CANADA
LTD. (TORONTO) AND INTERPROVINCIAL STEEL AND PIPE CORP.
LTD. (REGINA), WITH NEB RECOMMENDATION. GLOBE AND MAIL RAN
PARALLEL REPORTS ABOUT STEEL PRODUCERS' REACTION ON FRONT

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PAGE OF BUSINESS SECTION.

5. IN ADDITION TO REPORTING OTTAWA REACTION AND COMMENT,
PRINT MEDIA DEVOTED SIGNIFICANT COVERAGE TODAY (FEBRUARY 21)
TO USG REACTION IN WASHINGTON. MOST SIGNIFICANT WERE LEAD-
ITEM CANADIAN PRESS REPORTS WHICH QUOTED FERC AND STATE
DEPARTMENT SPOKESMAN AS FOLLOWS:

QUOTE A STUDY BY U.S. ANALYSTS PREDICTS THAT THE WIDE-
DIAMETER PIPE CHOSEN BY CANADA FOR THE ALASKA HIGHWAY GAS

PIPELINE WOULD COST U.S. CONSUMERS AN EXTRA DOLS 1 BILLION OVER 30 YEARS. A SPOKESMAN FOR THE FEDERAL ENERGY REGULATORY COMMISSION SAID MUCH OF THAT EXTRA COST WOULD COME IN INCREASED ENERGY CONSUMPTION INVOLVED IN THE 56-INCH, LOW-PRESSURE SYSTEM CHOSEN BY CANADA'S NATIONAL ENERGY BOARD MONDAY.

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"THE LOW PRESSURE CONSUMES A LOT MORE FUEL -- 20 TO 30 PER CENT MORE FUEL THAN THE HIGH-PRESSURE SYSTEM."

U.S. INTERESTS HAD BEEN SUPPORTING A PROPOSAL TO USE INNOVATIVE HIGH-PRESSURE PIPE, WITH A DIAMETER OF 48 INCHES, FOR THE PROJECT. CANADIAN INDUSTRY, HOWEVER, HAS LESS CAPACITY TO MAKE HIGH-PRESSURE PIPE AND THE HIGH-PRESSURE PIPE WOULD INVOLVE TESTING DELAYS.

THE REPORT PREDICTING AN ADDITIONAL DOLS 1 BILLION COST WITH THE 56-INCH, LOW-PRESSURE LINE WAS PREPARED BY A U.S. TEAM FROM THE ENERGY, COMMERCE AND TRANSPORTATION DEPARTMENTS.

THE COMMISSION SPOKESMAN SAID THE FULL REPORT, COPIES OF WHICH WERE AVAILABLE IN OTTAWA MONDAY, WOULD BE RELEASED IN WASHINGTON LATER TODAY WITH A COVERING LETTER FROM THE COMMISSION.

WHILE EXPRESSING INITIAL DISAPPOINTMENT AT CANADA'S DECISION TO USE WIDE-DIAMETER PIPE FOR THE ALASKAN HIGHWAY GAS PIPELINE, A U.S. STATE DEPARTMENT OFFICIAL SAID TODAY THE UNITED STATES HAS TO MAKE FURTHER STUDIES BEFORE DEVELOPING A FORMAL POSITION ON THE MATTER.

THE OFFICIAL EXPLAINED IN AN INTERVIEW THAT THE WIDE-DIAMETER PIPE CHOSEN MONDAY BY CANADA'S NATIONAL ENERGY BOARD WILL PROBABLY MEAN EXTRA COST FOR THE PROJECT, BUT SO WOULD AN ALTERNATIVE PROPOSAL TO USE NARROWER HIGH-PRESSURE PIPE.

"IT'S A NUMBERS GAME IN THE SENSE THAT YOU DON'T KNOW. IF YOU GO FOR THE 48-INCH HIGH-PRESSURE PIPELINE, IT'S A NEW

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THING. IT HASN'T BEEN TESTED OUT YET. IT WOULD TAKE CONSIDERABLE TIME AND THAT WOULD DRIVE UP THE COST."

ENERGY MINISTER ALASTAIR GILLESPIE TOLD THE COMMONS MONDAY THAT NECESSARY TESTING OF THE INNOVATIVE HIGH-PRESSURE PIPE MIGHT TAKE TWO YEARS.

THE STATE DEPARTMENT OFFICIAL SAID THE UNITED STATES AGREES SOME TEST PERIOD WOULD BE NECESSARY FOR THE HIGH-PRESSURE PIPE, ALTHOUGH U.S. OFFICIALS DO NOT NECESSARILY ACCEPT THE TWO-YEAR DURATION. HE SAID THAT UNDER THE CANADA-U.S. AGREEMENT THE PIPELINE PROJECT IS TO BE BUILT AT REASONABLE COST AND THE ULTIMATE COST TO U.S. CONSUMERS WHO WILL GET THE GAS WILL DETERMINE WHETHER THE UNITED STATES ACCEPTS THE CANADIAN PIPE DECISION OR ASKS FOR A RECONSIDERATION. THE CRUX OF THE MATTER IS WHETHER IT WOULD REPRESENT A CONSIDERABLE ADDITIONAL BURDEN ON THE U.S. CONSUMER IN INCREASING COST OF CONSTRUCTION AND THUS INCREASING THE COST OF THE GAS," HE SAID. UNQUOTE

6. ELECTRONIC MEDIA FEATURED PIPE-SIZE STORY ON NEWS BROADCASTS EVENINGS BEFORE AND AFTER NEB RECOMMENDATION. REPORTING WAS BALANCED AND ACCURATE.

7. CLIPPINGS FOLLOW BY POUCH. ENDERS

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